

ANNUAL FINANCIAL REPORT  
(SINGLE AUDIT)

**HOWARD COUNTY, MARYLAND**

JUNE 30, 2010

Howard County, Maryland

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	14

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Members of the County Council  
Howard County, Maryland

Compliance

We have audited Howard County, Maryland's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could have a direct and material effect on each of Howard County, Maryland's major federal programs for the year ended June 30, 2010. Howard County, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Howard County, Maryland's management. Our responsibility is to express an opinion on Howard County, Maryland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Howard County, Maryland's compliance with those requirements.

As described in note 3, the Schedule of Expenditures of Federal Awards referred to above have been reissued to correct an understatement of federal expenditures.

In our opinion, Howard County, Maryland complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of Howard County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Howard County, Maryland's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Howard County, Maryland's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Howard County, Maryland (the County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic statements, and have issued our report thereon dated January 26, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the County, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Reznick Group, P.C.*

Baltimore, Maryland  
April 27, 2011

## Howard County, Maryland

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

Federal Program	Federal Catalog Number	Contract/Grant Number	Non-ARRA Expenditures	ARRA Expenditures	Total Expenditures
<b>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>					
Fair Employment Practices Agency Contracts	30.002	10000000000000000000	\$ 41,482	\$ -	\$ 41,482
<b>Total Equal Employment Opportunity Commission</b>			41,482	-	41,482
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<b>Pass-through Maryland Department of Aging:</b>					
The Emergency Food Assistance Program	10.565	10000000000000000056	10,342	-	10,342
<b>Pass-through Department of Human Resources Office of Victim</b>					
Emergency Food Assistance Program	10.568	10000000000000000068	3,094	-	3,094
<b>Total U.S. Department of Agriculture</b>			13,436	-	13,436
<b>U.S. DEPT OF DEFENSE, OFFICE OF ECONOMIC ADJUSTMENT</b>					
<b>Pass-through Anne Arundel County, Maryland:</b>					
Base Realignment and Closure	12.607	10000000000000000073	190,659	-	190,659
BRAC County Administration	12.607	10000000000000000169	213,976	-	213,976
Base Realignment and Closure County Admin	12.607	10000000000000000198	48,303	-	48,303
<b>Total U.S. Dept of Defense, Office of Economic Adjustment</b>			452,938	-	452,938
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>					
<b>Pass-through Maryland Department of Education</b>					
Healthy Families '09	93.558	10000000000000000071	1,917	-	1,917
Healthy Families '10	93.558	10000000000000000072	321,686	-	321,686
<b>Pass-through Maryland Department of Labor, Licensing &amp; WISH Grant B</b>					
	93.558	10000000000000000036	141,113	-	141,113
<b>Pass-through Maryland Department of Human Resources:</b>					
Cooperative Reimbursement Agreement	93.563	10000000000000000121	15,383	-	15,383
Child Support Enforcement/Cooperative Reimbursement Agreement	93.563	10000000000000000140	58,811	-	58,811
<b>Pass through Maryland Department of Aging:</b>					
Older Americans Act Title 3D	93.043	10000000000000000163	12,298	-	12,298
Medicaid Waiver Federal Financial Participation '10	93.778	10000000000000000058	376,208	-	376,208
SHIP Federal	93.779	10000000000000000059	17,778	-	17,778
Medicare Improvements for Patients and Providers Act	93.779	10000000000000000189	3,475	-	3,475
Older Americans Act Title III D	93.041	10000000000000000163	6,138	-	6,138
Older Americans Act Title III B	93.044	10000000000000000160	116,244	-	116,244
Evidence Based Disease Prevention	93.048	10000000000000000048	4,294	-	4,294
Evidence Based Disease Prevention	93.048	10000000000000000188	17,397	-	17,397
Community Initiative Aging In Place	93.048	10000000000000000195	511	-	511
Older Americans Act Title III C-1	93.045	10000000000000000161	114,743	-	114,743
Older Americans Act Title III C-2	93.045	10000000000000000162	44,943	-	44,943
Older Americans Act, Title IIID	93.052	10000000000000000050	2,536	-	2,536
Older Americans Act, Title IIIC-1	93.052	10000000000000000051	60,718	-	60,718
Older Americans Act, Title IIIC-2	93.052	10000000000000000052	28,466	-	28,466
Older Americans Act, Title IIIB	93.052	10000000000000000053	140,268	-	140,268
Older Americans Act, Title IIIE	93.052	10000000000000000054	3,902	-	3,902
Federal Ombudsman - Title VII	93.052	10000000000000000055	160	-	160
Older Americans Act Title III E	93.052	10000000000000000164	57,615	-	57,615
Nutritional Services	93.053	10000000000000000187	28,799	-	28,799
Money Follows the Person Initiative	93.971	10000000000000000172	2,772	-	2,772
ARRA - Home Delivered Meals	93.705	10000000000000000157	-	13,965	13,965
ARRA - Congregate Meals	93.707	10000000000000000158	-	13,242	13,242
<b>Total U.S. Department of Health &amp; Human Services</b>			1,578,175	27,207	1,605,382

(continued)

## Howard County, Maryland

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2010

Federal Program	Federal Catalog Number	Contract/Grant Number	Non-ARRA Expenditures	ARRA Expenditures	Total Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
<b>Pass-through Maryland Emergency Management Agency:</b>					
Public Safety Interoperable Communications	11.555	10000000000000000107	143,639	-	143,639
Homeland Security Grant Program '11	97.008	10000000000000000108	145,439	-	145,439
House Bill 770 - Vulnerable Populations	97.008	10000000000000000109	5,123	-	5,123
Hazardous Materials Training Program '10	97.008	10000000000000000110	83,056	-	83,056
UASI-HAZ MAT Water Tender	97.008	10000000000000000111	307,000	-	307,000
UASI Command Vehicle Maintenance	97.008	10000000000000000113	25,933	-	25,933
UASI Consolidated	97.008	10000000000000000118	161,026	-	161,026
Regional Emergency Health Preparedness	97.008	10000000000000000191	163,588	-	163,588
Urban Search and Rescue Training	97.010	10000000000000000185	96,869	-	96,869
Flood Mitigation Assistance Program	97.029	10000000000000000115	5,500	-	5,500
Emergency Management Performance Program	97.042	10000000000000000136	44,066	-	44,066
2007 Homeland Security Grant Program '10	97.067	10000000000000000116	522,745	-	522,745
Incident Management Training	97.073	10000000000000000106	42,854	-	42,854
SAFER Grant	97.083	10000000000000000119	432,484	-	432,484
<b>Total U.S. Department of Homeland Security</b>			2,179,322	-	2,179,322
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>					
Community Development Block Grant '03	14.218	10000000000000000096	85,000	-	85,000
Community Development Block Grant '04	14.218	10000000000000000097	300	-	300
Community Development Block Grant '08	14.218	10000000000000000101	277,071	-	277,071
Community Development Block Grant '09	14.218	10000000000000000179	876,947	-	876,947
Supportive Housing Program - HUD 1 '10	14.235	10000000000000000060	160,220	-	160,220
Supportive Housing Program - HUD 3 '10	14.235	10000000000000000062	28,451	-	28,451
Supportive Housing Program - HUD 3 '09	14.235	10000000000000000066	4,789	-	4,789
Supportive Housing Program - HUD 1 '09	14.235	10000000000000000139	26,386	-	26,386
Supportive Housing - HUD 2 FY10	14.235	10000000000000000141	128,283	-	128,283
Supportive Housing - CCH2 FY10	14.235	10000000000000000142	61,143	-	61,143
Supportive Housing Program - HUD 3 '11	14.235	10000000000000000181	24,157	-	24,157
Bridges to Housing Stability Supportive Housing Program FY11	14.235	10000000000000000192	23,292	-	23,292
Supportive Housing Program-HUD 1 '11	14.235	10000000000000000193	75,225	-	75,225
Home Investment Partnership Act '07	14.239	10000000000000000104	177,380	-	177,380
Home Investment Partnership Act '08	14.239	10000000000000000105	348,103	-	348,103
Home Investment Partnership Grant 2009	14.239	10000000000000000180	309,385	-	309,385
Home Investment Partnership Grant 2006	14.239	10000000000000000183	181,997	-	181,997
Community Development Block Grant - Recovery Act	14.253	10000000000000000199	-	314,620	314,620
Homeless Prevention & Rapid Re-Housing Program	14.257	10000000000000000182	-	52,801	52,801
<b>Pass-through Maryland Housing and Community Development:</b>					
Emergency Shelter Grant Program	14.231	10000000000000000067	1,761	-	1,761
Emergency Shelter Grant	14.231	10000000000000000190	13,271	-	13,271
<b>Total U.S. Department of Housing &amp; Urban Development</b>			2,803,161	367,421	3,170,582

(continued)

## Howard County, Maryland

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2010

Federal Program	Federal Catalog Number	Contract/Grant Number	Non-ARRA Expenditures	ARRA Expenditures	Total Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>					
Asset Forfeiture/Equitable Sharing	<b>16.000</b>	10000000000000000042	106,427	-	106,427
<b>Pass-through Governor's Office of Crime Control &amp; Prevention:</b>					
Keeping Youth in Community Care - GOCCP '10	<b>16.523</b>	10000000000000000070	34,961	-	34,961
National Children's Alliance	<b>16.547</b>	10000000000000000043	1,216	-	1,216
Violence Against Women '08/DV Legal Assistant	<b>16.588</b>	10000000000000000124	12,762	-	12,762
S*T*O*P Violence Against Women	<b>16.588</b>	10000000000000000126	10,610	-	10,610
Domestic Violence Unit - VARA 24/7	<b>16.588</b>	10000000000000000151	-	27,794	27,794
Violent Crime Reduction	<b>16.588</b>	10000000000000000152	35,022	-	35,022
E-Citation/LETR '10	<b>16.588</b>	10000000000000000153	-	138,040	138,040
Violence Against Women '09/DV Legal Asst	<b>16.588</b>	10000000000000000171	35,971	-	35,971
State Criminal Alien Assistance Program	<b>16.606</b>	10000000000000000074	22,106	-	22,106
State Criminal Alien Assistance Program '10	<b>16.606</b>	10000000000000000174	21,684	-	21,684
Crime Analyst	<b>16.738</b>	10000000000000000047	56,474	-	56,474
Justice Assistance Grant I - 2009 Recovery	<b>16.738</b>	10000000000000000001	-	214,145	214,145
Justice Assistance Grant II - 2007	<b>16.738</b>	10000000000000000002	274	-	274
Justice Assistance 2009	<b>16.738</b>	10000000000000000156	15,397	-	15,397
LETS-Law Enforcement Training Scholarship Grant	<b>16.738</b>	10000000000000000200	9,150	-	9,150
Anti-Gang CAP Grant	<b>16.744</b>	10000000000000000138	23,723	-	23,723
Domestic Violence Section - VARA PD	<b>16.801</b>	10000000000000000154	-	18,669	18,669
Warrant/Fugitive Section - VOWR	<b>16.803</b>	10000000000000000155	-	103,102	103,102
DNA analysis related to evidence in property crime cases	<b>16.803</b>	10000000000000000194	-	19,775	19,775
<b>Pass-through Maryland Department of Human Resources:</b>					
Child Advocacy Grant	<b>16.575</b>	10000000000000000122	39,546	-	39,546
MCA-Maryland Children's Alliance	<b>16.543</b>	10000000000000000204	2,500	-	2,500
<b>Total U.S. Department of Justice</b>			<b>427,823</b>	<b>521,525</b>	<b>949,348</b>

(continued)



## Howard County, Maryland

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2010

Federal Program	Federal Catalog Number	Contract/Grant Number	Non-ARRA Expenditures	ARRA Expenditures	Total Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>					
<b>Pass-through Maryland Department of Labor, Licensing &amp; Regulation:</b>					
Trade Adjustment Assistance Program PY08	17.245	10000000000000000018	443	-	443
WIA/American Recovery & Reinvestment Act PY08	17.258	10000000000000000012	-	12,457	12,457
Carroll County Pass-Thru K	17.258	10000000000000000023	1,582	-	1,582
Carroll County Pass-Thru N	17.258	10000000000000000026	10,084	-	10,084
Carroll County Pass-Thru P	17.258	10000000000000000028	-	3,372	3,372
Carroll County Pass-Thru S	17.258	10000000000000000031	736	-	736
WIA Program PY09 Adult	17.258	10000000000000000143	7,951	-	7,951
Carroll County Pass-Thru WIA B Adult	17.258	10000000000000000147	6,360	-	6,360
WIA Title I PY09 - FY10 Adult	17.258	10000000000000000175	37,855	-	37,855
Carroll County Pass-Thru '09 Adult	17.258	10000000000000000177	29,456	-	29,456
Workforce Investment Act Statewide Incentive Grant	17.258	10000000000000000202	8,828	-	8,828
Workforce Investment Act Program PY08 E	17.259	10000000000000000008	1,653	-	1,653
WIA/American Recovery & Reinvestment Act PY08	17.259	10000000000000000013	-	42,447	42,447
Carroll County Pass-Thru L	17.259	10000000000000000024	15,529	-	15,529
Carroll County Pass-Thru Q	17.259	10000000000000000029	-	48,323	48,323
WIA Program PY09 C Youth	17.259	10000000000000000145	4,655	-	4,655
Carroll County Pass-Thru '09 C Youth	17.259	10000000000000000149	25,868	-	25,868
Workforce Investment Act Program PY08 F	17.260	10000000000000000009	122,448	-	122,448
Workforce Investment Act Program PY08 H	17.260	10000000000000000011	381,257	-	381,257
WIA/American Recovery & Reinvestment Act PY08	17.260	10000000000000000014	-	203,481	203,481
Maryland Business Works Program	17.260	10000000000000000017	3,506	-	3,506
BRAC Regional Project Coordinator Program	17.260	10000000000000000020	39,892	-	39,892
BRAC - DISA Transition Project	17.260	10000000000000000021	42,039	-	42,039
Carroll County Pass-Thru M	17.260	10000000000000000025	31,995	-	31,995
Carroll County Pass-Thru O	17.260	10000000000000000027	167,858	-	167,858
Carroll County Pass-Thru R	17.260	10000000000000000030	-	107,386	107,386
Wia PY09 Dislocated Worker	17.260	10000000000000000144	5,197	-	5,197
Carroll County Pass-Thru '09 Dislocated Worker	17.260	10000000000000000148	109,007	-	109,007
Maryland Business Works '09 ARRA	17.260	10000000000000000150	-	72,689	72,689
WIA Title I PY09 - FY10 Dislocated Worker	17.260	10000000000000000176	40,016	-	40,016
Carroll County Pass-Thru '09 Dislocated Worker	17.260	10000000000000000178	234,644	-	234,644
BRAC Coordinator-WIA Statewide PY09	17.260	10000000000000000196	42,042	-	42,042
BRAC DISA Transition-WIA Statewide PY09	17.260	10000000000000000197	22,797	-	22,797
<b>Total U.S. Department of Labor</b>			<b>1,393,698</b>	<b>490,155</b>	<b>1,883,853</b>

(continued)

## Howard County, Maryland

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2010

Federal Program	Federal Catalog Number	Contract/Grant Number	Non-ARRA Expenditures	ARRA Expenditures	Total Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
<b>Pass-through Maryland Department of Transportation:</b>					
Road Resurfacing at various roads	20.205	10000000000000000211	-	435,254	435,254
Capital Transit Purchases ARRA	20.500	10000000000000000165	-	771,330	771,330
Large Urban Operating Assistance (Sec 5307) '09	20.507	10000000000000000078	715,000	-	715,000
Section 5311 Operating Assistance Federal '10	20.509	10000000000000000081	289,418	-	289,418
Section 5311 Operating Assistance State '10	20.509	10000000000000000082	98,998	-	98,998
Rideshare Coordination FY 10 Fed	20.515	10000000000000000039	130,401	-	130,401
<b>Pass-through Baltimore Metropolitan Council:</b>					
Transportation Planning Grants 10	20.505	10000000000000000041	180,222	-	180,222
<b>Total U.S. Department of Transportation</b>			1,414,039	1,206,584	2,620,623
<b>U.S. DEPARTMENT OF ENERGY</b>					
Energy Efficiency & Conservation block grant	81.128	10000000000000000184	-	66,394	66,394
<b>Pass-through Maryland Department of Housing &amp; Community</b>					
Weatherization Assistance Program	81.042	10000000000000000235	-	150,398	150,398
<b>Total U.S. Department of Energy</b>			-	216,792	216,792
<b>ENVIRONMENTAL PROTECTION AGENCY</b>					
<b>Pass-through Maryland Water Quality Financing</b>					
<b>Administration:</b>					
Capitalization Grants for Clean Water-State Revolving Loan Fund	66.458	2W-24000209	-	294,075	294,075
<b>Total Environmental Protection Agency</b>			-	294,075	294,075
			\$ 10,304,074	\$ 3,123,759	\$ 13,427,833

See notes to schedule of expenditures of federal awards

Howard County, Maryland

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal financial assistance programs operated by Howard County, Maryland, are included in the scope of the OMB Circular A-133 audit. This Single Audit was conducted in accordance with the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Compliance testing of all specific requirements, as described in the Compliance Supplement was performed. Compliance testing of specific requirements was performed for the following major federal financial assistance program. These programs covered 55% of total federal financial assistance program expenditures.

Grant Description	CFDA Number	Fiscal Year 2010 Non-ARRA Expenditures	Fiscal Year 2010 ARRA Expenditures	Fiscal Year 2010 Total Expenditures
US Department of Housing and Urban Development	Cluster 14.218 & 14.253	\$ 1,239,318	\$ 314,620	\$ 1,553,938
US Department of Justice	16.738	81,295	214,145	295,440
US Department of Justice	16.803	-	122,877	122,877
US Department of Labor	Cluster 17.258, 17.259 & 17.260	1,393,255	490,155	1,883,410
US Department of Transportation	20.205	-	435,254	435,254
US Department of Transportation	Cluster 20.500 & 20.507	715,000	771,330	1,486,330
US Department of Energy	81.042	-	150,398	150,398
US Department of Health and Human Services	93.558	464,716	-	464,716
US Department of Homeland Security	97.067	522,745	-	522,745
US Department of Homeland Security	97.083	432,484	-	432,484
		<u>\$ 4,848,813</u>	<u>\$ 2,498,779</u>	<u>\$ 7,347,592</u>

Howard County, Maryland

NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS - CONTINUED

June 30, 2010

NOTE 2 - FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2010.

NOTE 3 - RESTATEMENT OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Management determined that proceeds of \$294,075 which was accounted for as a loan in the comprehensive annual financial report was erroneously not reported in the schedule of expenditures of federal awards. The schedule of expenditures of federal awards was restated to include the loan expended as a pass-through from the Maryland Water Quality Financing Administration in the amount of \$294,075.

Howard County, Maryland

NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS - CONTINUED

June 30, 2010

	<u>Non-ARRA Expenditures</u>	<u>ARRA Expenditures</u>	<u>Total Expenditures</u>
Total expenditures of federal awards:			
As previously reported	\$10,304,074	\$2,829,684	\$13,133,758
Adjustment	<u>-</u>	<u>294,075</u>	<u>294,075</u>
As restated	<u>\$10,304,074</u>	<u>\$3,123,759</u>	<u>\$13,427,833</u>
Threshold for Type A Programs:			
As previously reported	\$ 394,013		
Adjustment	<u>8,822</u>		
As restated	<u>\$ 402,835</u>		
Note 1 - percentage of programs tested:			
As previously reported	56%		
Adjustment	<u>-1%</u>		
As restated	<u>55%</u>		

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Howard County, Maryland.
2. There were ten significant deficiencies identified during the audit of the financial statements, of which six were considered material weaknesses.
3. No instances of noncompliance material to the financial statements of Howard County, Maryland were disclosed during the audit.
4. No significant deficiencies were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Howard County, Maryland expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Howard County, Maryland.
7. The programs tested as major programs include: (See note 1 to Schedule of Expenditures of Federal Awards).
8. The threshold for distinguishing type A and B programs was \$402,835.
9. Howard County, Maryland was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS

Network Access Controls

Network password parameters that should be controlling user access and protecting the County's SAP financial accounting system and data do not enforce adequate password controls typically found in other organizations. Passwords are the first line of defense to help protect unauthorized access to the County's systems and data. Given the lack of basic access protection with the current configuration, there can be no reasonable

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

assurance that accounts on County's systems have not already been compromised or that the County's systems will not be broken into or used by unauthorized individuals in the future. This is a repeat finding from 2009.

Management Response

During the investigation of this comment included in the 2009 management letter, it was determined that the help desk would be overburdened with calls each time the system required passwords to be reset. Novell does not have the capabilities of handling complex passwords and nearly all of Howard County users interface with Novell on a daily basis.

Howard County Government is in the process of retiring its Novell eDirectory Service, which currently impacts Active Directory and Network Access Controls. When completed, Active Directory will enforce protections such as password history, password changes, minimum password length, password complexity and locking out accounts after a predetermined number of invalid attempts. The current schedule is to implement this policy for the HC domain by the end of summer 2011. In the meantime, we will implement a minimum password length of seven characters. This will give the County some additional security while we complete the migration.

Two weeks ago, we migrated over 700 Police department employees. Since they are in a separate domain, we will implement the following password policy within 14 days: Minimum length of seven characters with complexity; enforce password history of the last four passwords; passwords will be required to be changed every 90 days; with lock out after five attempts. Fire is also in a separate domain and they do not use Novell, therefore, they will be part of the above implementation.

As an update to the continuing migration efforts: this week the County Executive, Administration, County Council, Office of Law, Public Information, Fleet and Children's Resource Center have been migrated.

Network Intrusion Prevention Controls

1. The software license for the Intrusion Prevention System (IPS) that was designed to monitor, block and report malicious activities on the network was expired.

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

Accordingly, the system could not download the updates to help detect and defend against current intrusion attempts on the County's computer systems.

2. Information technology (IT) security testing, including penetration testing of the firewalls separating the County's computers from the public Internet, has not been performed in years. Lack of IT Security testing makes it difficult to determine if the County's firewall and other system security provisions are adequate and are providing appropriate protection, or that the County's data is secure from unauthorized access and possible modification.

Management Response

1. The engine version installed at the time of the audit was 6.0, one version back. The version was still supported by CISCO although the signatures may have not been valid. Our license agreement was in the process of being renewed at the time of the audit, and because of incomplete information on the part of the vendor the renewal was delayed. We did reinstate the contract in September, 2010 and have since upgraded the software to the current version of the IPS engine including signatures.
2. The County understands that regular IT security testing should be performed. However, with the move of the computer room, which has just concluded, any security testing performed prior to this would have been invalidated by the move. The County is in the process of locating a vendor and scheduling the testing within 60 days. Once performed, the County will commit to following up on any identified items to protect the integrity of the County's system and data.

SAP Application Access Controls

1. Administrative access to the SAP financial application is granted to 18 users, including individuals outside the Finance and IT departments. All individuals with administrative access can perform all accounting activities in the application, as well as make changes to the SAP application, all with no segregation of duties or independent oversight and approvals. (A similar finding was reported in 2009 with the County's old accounting system.)
2. The password parameters for the SAP financial application do not enforce sufficient password requirements typically found in other organizations, allowing passwords to



Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

be more easily compromised. (A similar finding was reported in 2009 with the County's old accounting system.)

Management Response

1. Howard County Government has been regularly modifying access to the SAP application. The number of users with administrative access has been reduced to include only Howard County IT domain administrative personnel (5) and SAP administrators (3). The SAP administrators are all from the consultant personnel still reporting to the County location each week.
2. Howard County Government will increase the complexity requirements of SAP passwords to include a required length of eight characters minimum. The password expiration will be 90 days with no repeat of the last nine passwords used. Login attempts will be limited to five before being locked out. This will be implemented within the 30 days.

Bank Reconciliations

During the course of our audit, we noted that bank reconciliations for the disbursement account and the collection account were not completed in a timely manner. When they were completed, they were either not reviewed or reviewed inadequately. We recommend that bank reconciliations be performed, reviewed and approved within 30 days of the end of the month. During the reconciliation process, we recommend that any significant reconciling item be identified and addressed.

Management Response

The County strongly agrees with this recommendation and is in the process of hiring an additional permanent staff to provide the support needed to perform the work in a timely manner.

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

Journal Entries

During the course of our audit, we noted the following when testing journal entries:

- There were significantly more manual journal entries posted after June 30 than in prior years. Many of the manual journal entries were correcting entries.
- Journal entries were posted without approval and/or supporting documentation in the system.
- On numerous occasions journal entries were approved either by a peer or by a subordinate.

We recommend, in order to reduce the volume of journal entries and correcting entries, the County implement a policy which includes a hierarchy of authorization and approval from the Division of Financial Reporting. The policy should also require supporting documentation which should be reviewed before an entry is posted.

Management Response

The increase in correcting journal entries occurred because the County implemented a new general ledger system and entries were needed to correct the conversion of data from the legacy systems and errors by staff who are still learning the intricacies of the new system. We agree with the recommendation and will develop the policy.

Grant Tracking

The County receives approximately 200 varying types of federal and state grants which are reported within 28 business areas. Cash receipts are not specifically recorded by grant, but are recorded within the 28 business areas. This leads to inadequate tracking of whether grant funding available to the County is fully utilized and whether all requested funding has been collected by the County. This also results in an inability to determine what revenue should be deferred, and what receivable needs to be recorded at year end.

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

We recommend the following:

- Each grant reimbursement request should be reconciled to SAP by the responsible grant administrator prior to submission to the grantor. Finance should review requests for reimbursement and supporting documentation to make sure amounts agree with SAP on a periodic basis.
- Confirmations should be sent to each grantor on an annual basis to confirm revenues, receivables and expenditures for the fiscal year.
- Cash receipts should be tracked on an individual grant basis.
- Receivables should be reviewed at year end to determine if a deferral is necessary.

Management Response

The County agrees with the recommendation and is in the process of re-organizing Finance and hiring new staff who will be dedicated to grants accounting and reporting. With the implementation of SAP, the County changed its grants accounting and the entire County was still learning the operations and intricacies of the Grants module.

Cash Disbursement Approvals

During the course of our audit, we noted numerous instances where County funds were inadvertently disbursed resulting in multiple vendors being paid twice. This occurred because of the way SAP processes payment reversals. We recommend SAP and the Finance department reevaluate the process for disbursements to mitigate the possibility of duplicate payments.

We noted several instances where payments were being made but there was not supporting documentation attached to the transaction for review and approval. We recommend the County continue to follow its policy to review supporting documentation for all disbursements before they are paid.

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

Management Response

The County agrees with the recommendation. Subsequent to the implementation of the new accounts payable system, the County implemented a policy requiring the attachment of supporting documentation to all payment vouchers.

Capital Assets

During the course of our audit, we performed test work related to the County's capital assets. The schedule provided did not reconcile to the financial reporting system. Due to the significant volume of transactions, the potential materiality of the transactions and the complexity of the accounts, we recommend the County perform a quarterly reconciliation and review of the capital assets.

Management Response

The County agrees with the recommendation.

Landfill

The County uses engineering estimates to record estimated expenditures for post closure care costs for the Alpha Ridge Landfill per Code of Federal Regulations 40, part 258, subpart G. The engineers are hired to update their estimates every four to five years, and during the in between years the estimates are adjusted for CPI by the Department of Public Works and sent to the Department of Finance to record the adjusted liability in the financial statements. During the course of our audit we noted that the Landfill closure and post closure liability was overestimated based on a miscalculation resulting in an adjustment to decrease the recorded liability. The original schedule provided indicated a decrease of 329,000 in the Landfill liability. The adjusted schedule indicated an increase of 499,000. In order to ensure that the property liability is being recorded, the Department of Finance should review the adjustments to the engineering estimates before utilizing the schedule to make the related adjustment to the landfill expenses in the financial statements.

Howard County, Maryland

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

Management Response

The County agrees with the recommendation and has started developing these policies and procedures.

Accounting Policies and Procedures Manual

The Bureau of Accounting Policies and Procedures Manual is outdated. With the migration to the new accounting system during the current fiscal year, an updated policies and procedures manual is important to ensure that all new procedures or new job responsibilities that were implemented as a result of the system change are documented and staff are made aware of the new procedures in place. Also, if there is significant turnover within the Department, the procedures would be documented to allow the department to continue to operate in an effective and efficient manner to ensure accurate and timely financial reporting.

Management Response

The County agrees with the recommendation and has started developing these policies and procedures.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS

NONE